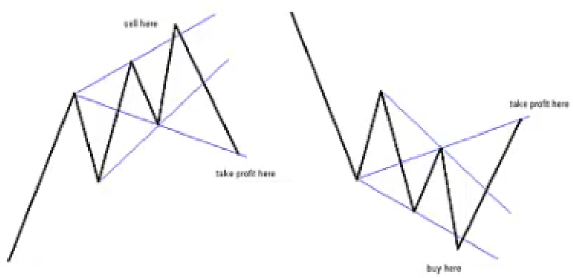
Wolfe Waves

Saturday, January 18, 2014 4:42 PM

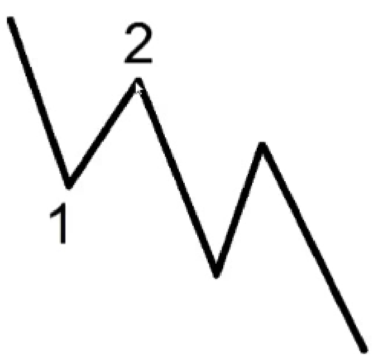
- Bill Wolfe is the founder of "Wolfe Waves."

Wolfe Wave: a natural harmonic rhythm that exists in all markets. It is made up of waves of supply and demand that form their own equilibrium.

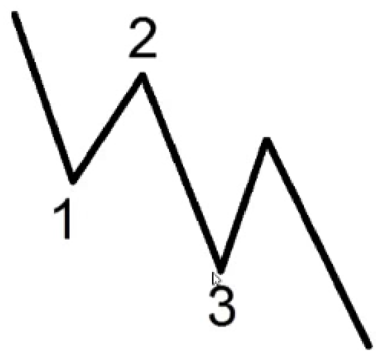
- The key to its accuracy is in properly identifying the 1, 2, 3, 4, & 5 points.
- Targeting is determined by extending point 1 to 4 with a trend line.
- Channels and flags tend to see Wolfe Waves created inside their respective price action.



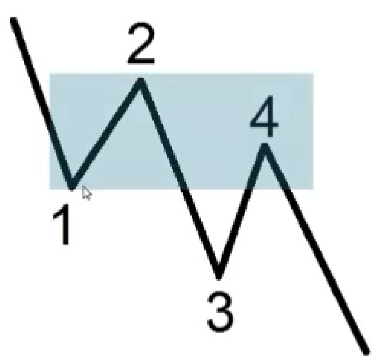
- Wolfe Waves are a unique way to use trend lines.
- Wolfe Waves can be found on any time frame and in any market.
- Spotting these patterns is very subjective.
- A bearish Wolfe Wave is typically seen at a top where we are looking for a reversal to happen anyways. You usually see it come with the formation of the three indians pattern. It is usually 2 consecutive ICT reflection patterns. They will form around channels and flags and consolidations. You will usually see them in a rising channel or a rising wedge. You will also see them in a falling channel or falling wedge.
- They will occur within a larger consolidation near an expected reversal.
- In a bullish Wolfe Wave you will generally see 2 moves down with retracements and then another move down. You want the moves to be clean and discernible/measureable. The moves down into retracements should also be bouncing at some sort of Fibonacci extension. There should be some rhythm in the market.



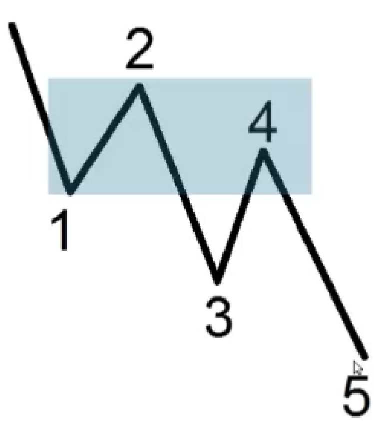
- A bullish Wolfe Wave will typically develop in a down channel.
- This pattern can also be learned in "Street Smarts."
- Point 3 will be lower than point 1.



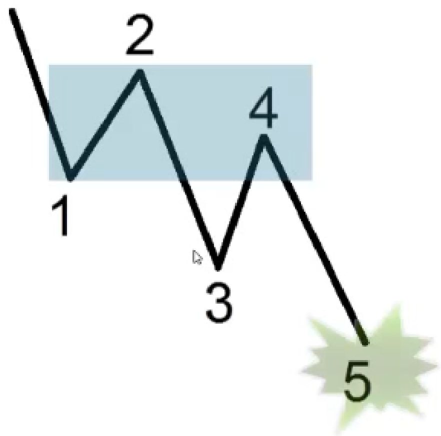
- Point 4 must go above point 1 and it must be in the range between points 1 & 2.



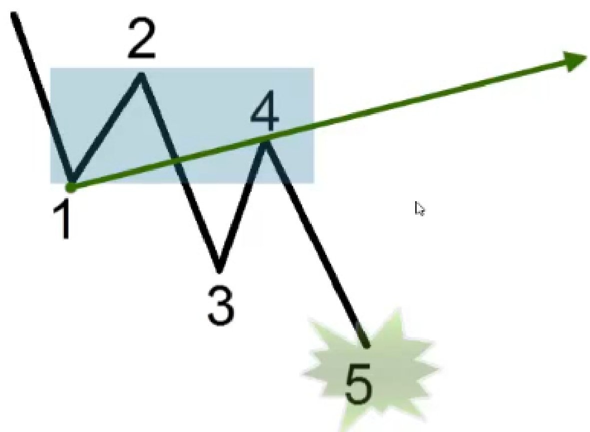
- Many times you will see point 5 break the trend line if you were to draw it from point 1 to point 3.



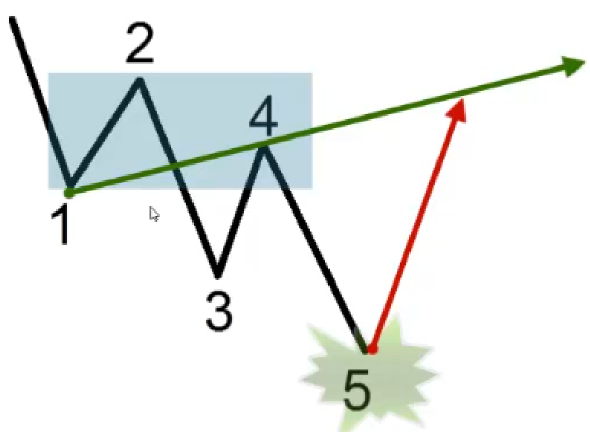
- Point 5 is typically the false breakout of a channel trend line support. Low 3 or low 5 will be trading at a key support level. You will be expecting an upward move at point 5.



- Look for reasons to be buying point 5 at that support level with an understanding of the Wolfe Wave.
- For profit objectives, draw a trend line from point 1 to point 4 and extend it out in time. You will take profits when price trades up to that trend line.



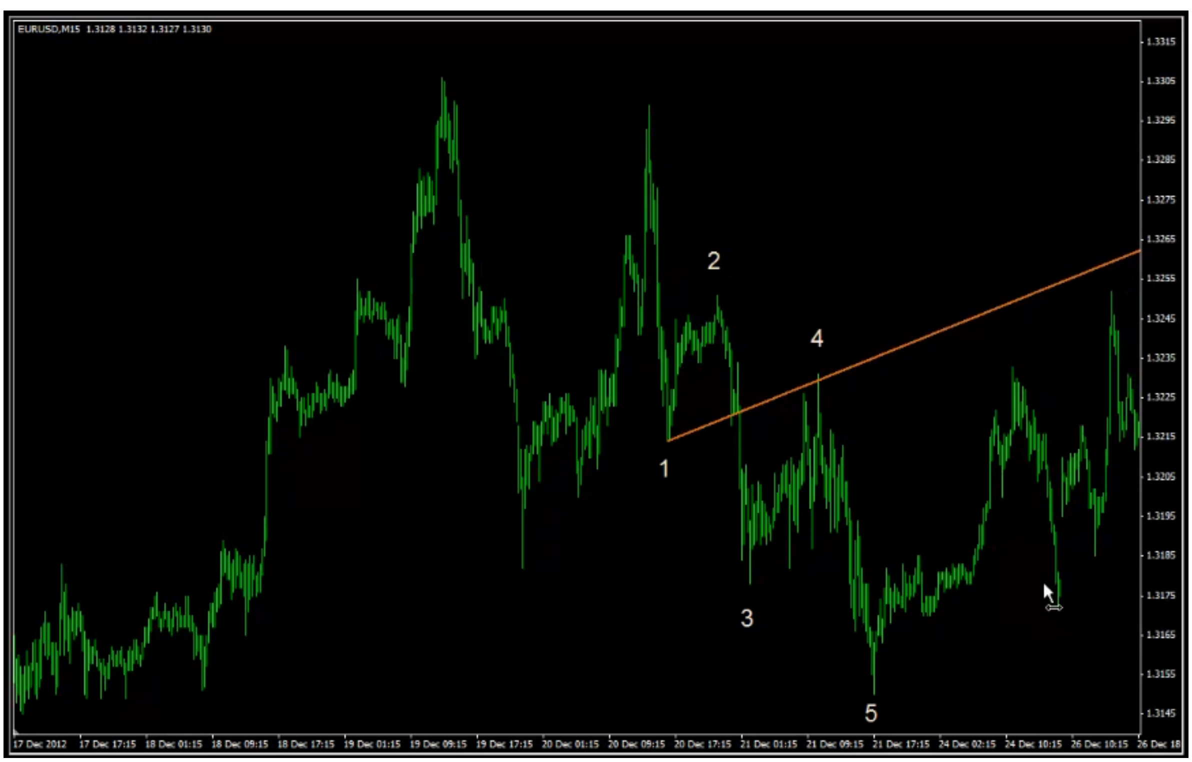
- It's not a very difficult pattern to trade and very easy to see if you understand the mechanics behind it.



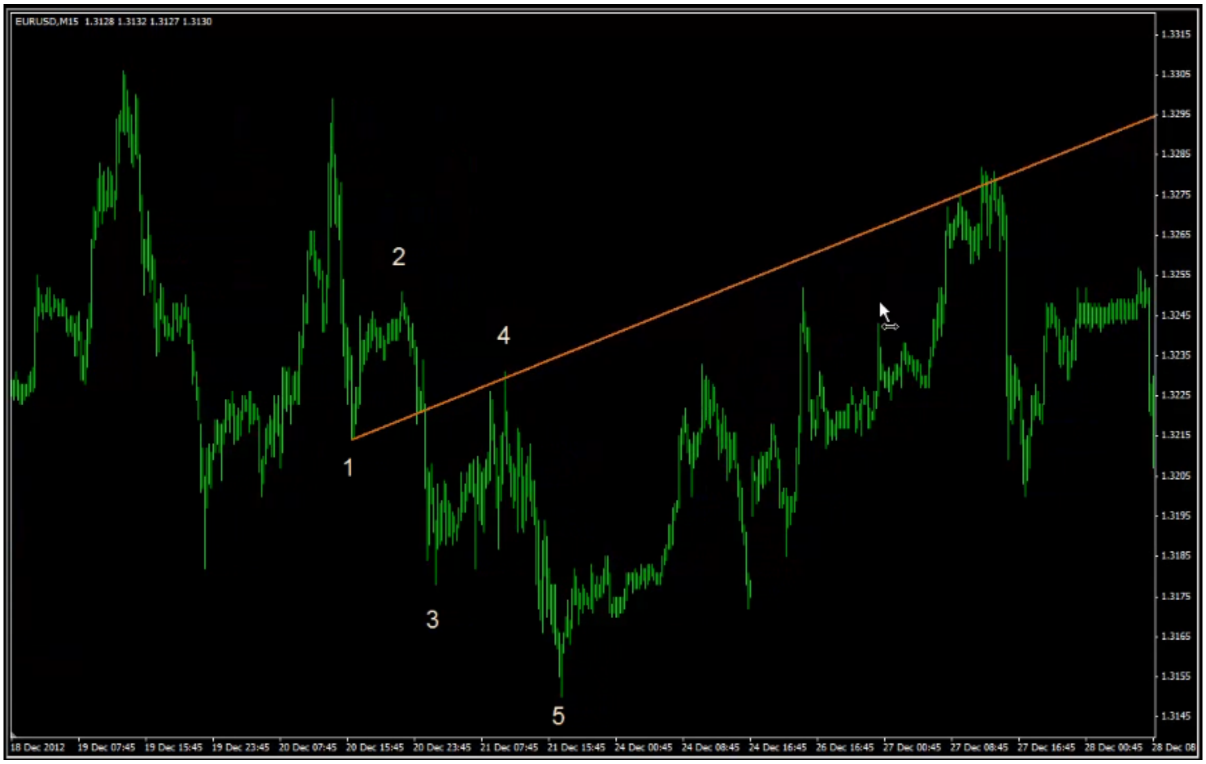
- When trading this pattern, you want to see a discernible down channel. Within the down channel you want to be looking for ICT reflection patterns. The down channel could be a bull flag on a higher time frame. Inside the higher time frame consolidation, the lower time frame will have a bullish Wolfe Wave within it.
- The price points should have Fibonacci symmetry.
- The below example is on a 15 minute chart.



- There is an optimal trade entry after point 5 to get in sync with the Wolfe Wave.



- And price eventually comes up and hits our profit objective…



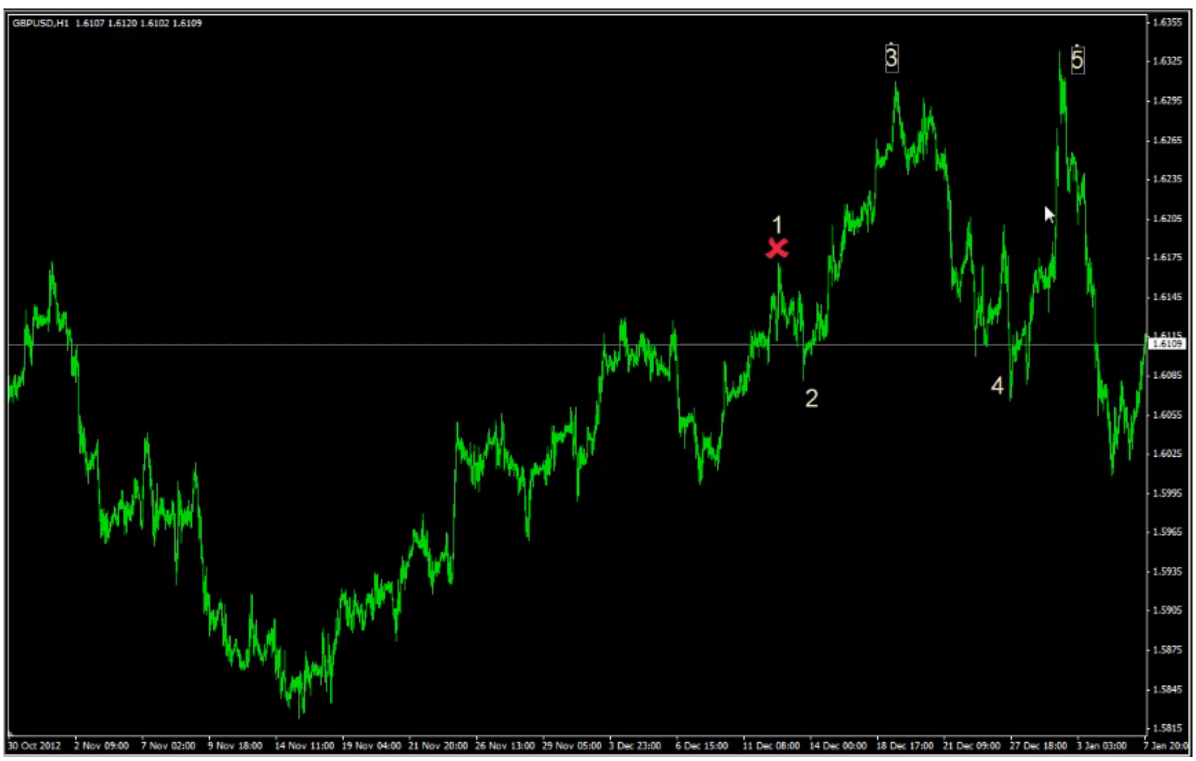
- This move provided about 120 pips.
- This 2nd example was actually traded by ICT. You will need to figure out the numbers based on previous examples.

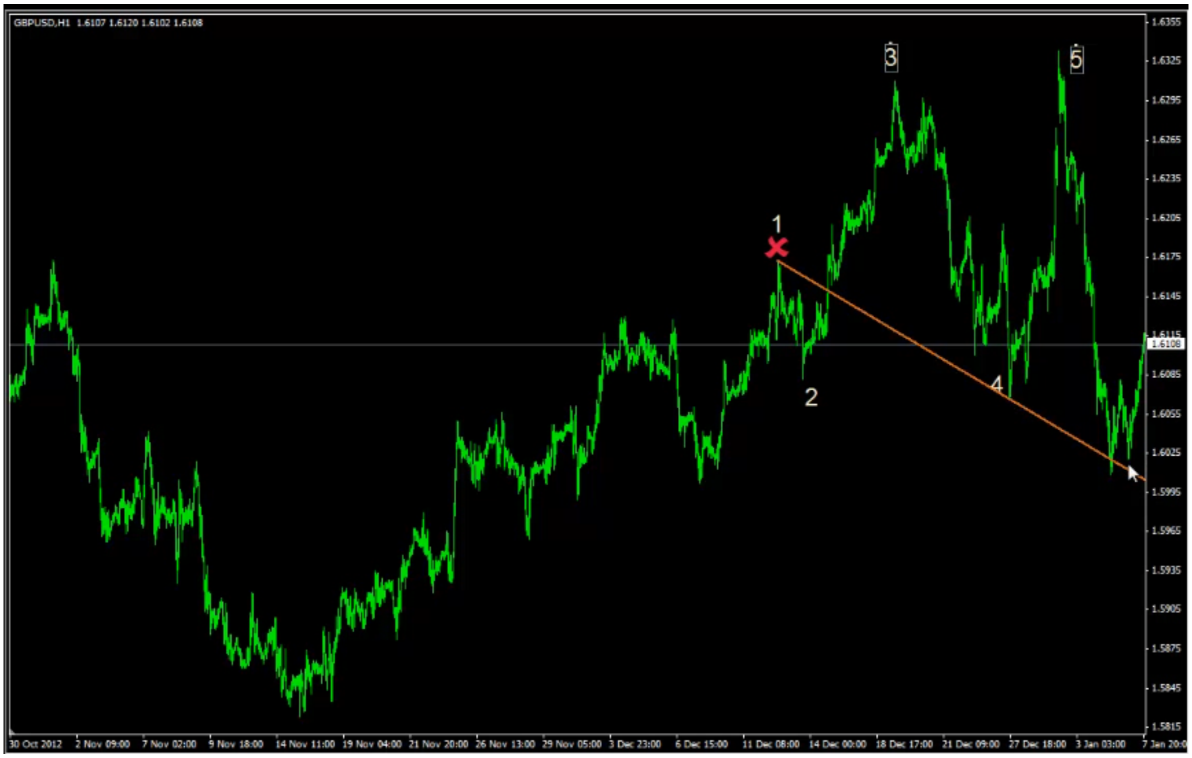


- We are looking for surgical scalps to take an entry and exit at.
- Below is an example of a Wolfe Wave on the Cable 1 hour chart.

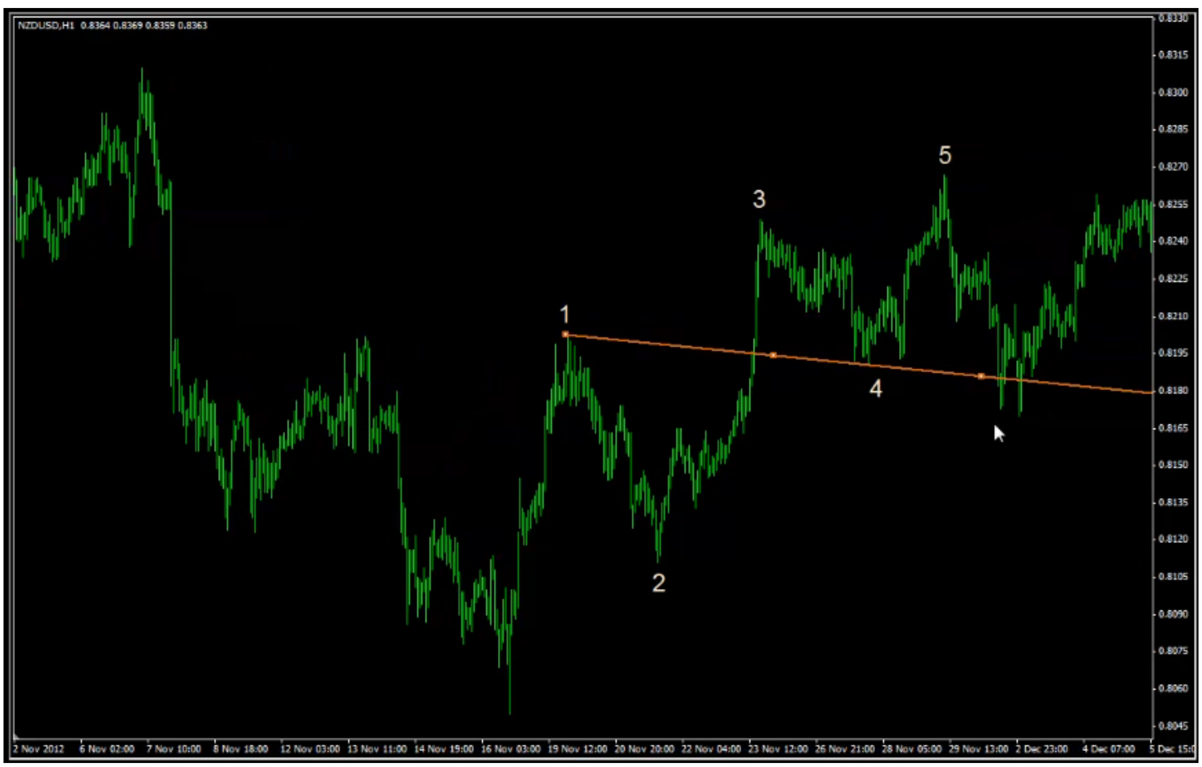


- There is also another in the example from above.





- Below is an example of a bearish Wolfe Wave on the NZD/USD hourly chart.



- Point 5 to the target objective in the image above is 75 pips or so.
- Go out and find as much information about this pattern as you can. ICT does not want to make this pattern as his own or promote it as such, he just uses it. He encourages googling it and doing the work to understand it more.